

Message Text

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EXDIS/FOR UNDER SECRETARY ROGERS ONLY FROM FRANK

E.O. 11652: GDS

TAGS: PDEV, EGEN, RH

SUBJECT: ZIMBABWE DEVELOPMENT FUND: SITUATION REPORT

1. I MET MONDAY, NOV 22 WITH AMBASSADORS SCHAUFLELE AND BOLEN TO DISCUSS THE ZIMBABWE DEVELOPMENT FUND. THEY SUGGESTED SOME CHANGES IN MY LETTER TO MANSFIELD. I INCORPORATED THESE CHANGES INTO THE LETTER AND SENT IT OFF THIS MORNING THROUGH BILL SQUIRE OF THE BRITISH EMBASSY.
 2. WE AGREED THAT WE SHOULD CONTINUE TO WAIT BEFORE APPROACHING CONGRESS OR OTHER GOVERNMENTS ON THE FUND TILL THINGS SORT THEMSELVES OUT BETTER IN GENEVA.
 3. I BROUGHT UP THE MEMO AF SENT TO THE SECRETARY THROUGH YOU LAST FRIDAY (I WAS IN NEW YORK AND DID NOT SEE IT ON FRIDAY) ON FY 77 SUPPLEMENTAL APPROPRIATIONS FOR THE ZIMBABWE DEVELOPMENT FUND. I EXPRESSED CONCERN THAT \$80 MILLION FOR FY 77 WAS DIFFICULT TO JUSTIFY.
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FY.

4. SCHAUFLELE MADE THE POINT THAT THERE MAY BE AN EXODUS OF WHITES THAT WOULD REQUIRE BALANCE OF PAYMENTS SUPPORT IF THEY WISHED TO REPATRIATE FUNDS. SCHAUFLELE FELT THAT WE WOULD BE UNDER OBLIGATION TO PROVIDE SUCH SUPPORT. I AGREED THAT IT WAS CONCEIVABLE THAT WE MIGHT PROVIDE SUPPORT BUT THOUGHT THE LIKELIHOOD WAS SMALL THAT THE NEED WOULD ARISE AND QUESTIONED THE WISDOMS OF USING LARGE AMOUNTS OF MONEY TO SUPPORT AN EXODUS OF WHITES DURING THE TRANSITION GOVERNMENT. I THOUGHT THAT IT WOULD BE MUCH BETTER TO USE THE PERIOD OF TRANSITION LARGELY TO DEVELOP PROJECTS AND PROGRAMS WORTHY OF FINANCIAL SUPPORT THAT WOULD BE COMMITTED AND DISBURSED AFTER INDEPENDENCE, ESPECIALLY SINCE OUR OBJECTIVE WAS TO ENCOURAGE SKILLED WHITES TO STAY RATHER THAN TO PROVIDE ANY SUPPORT FOR AN EARLY EXODUS. SMALL AMOUNTS OF FUNDS MIGHT BE NEEDED FOR CRASH TRAINING PROGRAMS DURING THE TRANSITION PERIOD.

5. WE AGREED, HOWEVER, THAT THE \$80 MILLION WILL PROBABLY BE CUT BY OMB ANYWAY AND BEFORE JIM LYNN GOES TO THE PRESIDENT WE WILL KNOW MORE ABOUT HOW GENEVA IS PROGRESSING AND MAY WANT TO CHANGE OUR MIND.

6. SINCE THE MEETING WITH SCHAUFLELE, I HAVE BECOME MORE CONVINCED THAT IT IS UNWISE TO GO TO CONGRESS SOON WITH A REQUEST FOR \$80 MILLION. THE BEST SEQUENCE OF EVENTS IS TO TEST THE WATER FIRST WITH CONGRESS INFORMALLY, GO TO OTHER DONORS BILATERALLY, AND THEN CALL A DONOR CONFERENCE TO WORK OUT AGREEMENTS ON AMOUNTS PLEDGED AND THE ARTICLES OR TERMS OF REFERENCE FOR THE FUND. THIS WILL TAKE THREE OR FOUR MONTHS AT A MINIMUM BUT ONLY THEN DO I THINK IT WISE TO GO TO CONGRESS FOR APPROPRIATIONS. WE WILL BE ABLE TO MAKE THE BEST POSSIBLE CASE AND WILL BE ABLE TO POINT TO COMMITMENTS BY OTHER DONORS. A REQUEST FOR \$80 MILLION IN THE NEXT MONTH OR TWO IS FAR TOO PREMATURE AND PUTS THE WHOLE CONCEPT AT RISK. THE PROCESS OF GOING TO OTHER DONORS AND OF MAKING FORMAL PLEDGES AT A DONOR CONFERENCE SHOULD FILL THE POLITICAL NEED OF DEMONSTRATING A SERIOUS COMMITMENT TO FINANCIAL SUPPORT

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OF A RHODESIAN SETTLEMENT.

7. I MET WITH BURKE KNAPP, SENIOR VICE PRESIDENT OF THE WORLD BANK, ON THURSDAY LAST WEEK (BENJENK IS IN THE HOSPITAL WITH HEPATITIS AND MCNAMARA ASKED KNAPP TO TAKE OVER). I SPENT MOST OF THE TIME EXPLAINING OUR IDEAS ON HOW THE FUND MIGHT WORK AND HOW IT MIGHT BE RELATED TO THE WORLD BANK. KNAPP EXPRESSED CONCERN THAT THE BANK

WOULD WANT A CLEAR MANDATE FROM DONOR COUNTRIES THAT IT WOULD HAVE MANAGEMENT RESPONSIBILITY AND THAT THIS RESPONSIBILITY WOULD NOT BE SHARED WITH THE REGIONAL DEVELOPMENT BANKS OR OTHER UN AGENCIES. HE SAID THAT IT WAS STANDARD BANK PRACTICE TO USE OTHER AGENCIES FOR PROJECT IMPLEMENTATION, AS APPROPRIATE, BUT THE BANK WOULD NEED

TO EXERCISE CONTROL OVER ASSIGNMENT OF RESPONSIBILITY TO OTHER AGENCIES. I SAID THAT I DIDN'T THINK THERE WOULD BE ANY PROBLEM IN THIS REGARD, PROVIDED THAT WORLD BANK MANAGEMENT DECISIONS WERE SUBJECT TO POLICY GUIDANCE AND IN SOME INSTANCES APPROVAL BY A VOTING BOARD OF DIRECTORS.

8. I AM MEETING WITH SAM GOLDBERG AND HOWARD ROBINSON OF H TODAY TO DISCUSS CONGRESSIONAL STRATEGY. IT IS GOLDBERG'S VIEW THAT WE OUGHT TO PROCEED IN STAGES--INFORMAL TESTING OF THE WATERS WITH THOSE LIKELY TO BE POSITIVELY INCLINED, FOLLOWED LATER BY MORE DETAILED BRIEFINGS OF THE KEY COMMITTEE PEOPLE.

9. I HAVE A LUNCH SCHEDULED THIS AFTERNOON WITH GOLER BUTCHER. ROBINSON

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